

Summary Budget

OVERVIEW

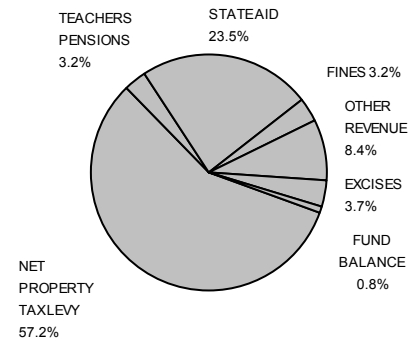
The FY05 Budget of \$1.906 billion in recurring revenue represents a \$83.9 million increase from the FY04 Budget supported by recurring revenues. Included in the total FY05 Budget is \$1.9 million in non-recurring revenue and \$15.0 million in revenue from budgetary fund balance. In total, FY05 Budgeted revenues amount to \$1.923 billion, an increase of \$70.9 million or 3.8% from FY04.

This Summary Budget section lays out the FY05 Budget and discusses trends in each category of the summary budget table. A detailed look at personnel trends as well as a review of major externally funded services is also presented.

The increase in FY05 Budget recurring revenues is primarily the result of a \$47.9 million projected increase in the net property tax. The FY05 Budget estimate of \$451.1 million in state aid is based on the Governor's Budget (House 1) released in January 2004. This figure amounts to nearly zero percent growth in aid for the City in FY05. In addition, there is considerable downside risk that reforms included in the Governor's Budget will not be adopted by the Legislature, requiring reductions to local aid accounts as the fiscal year begins.

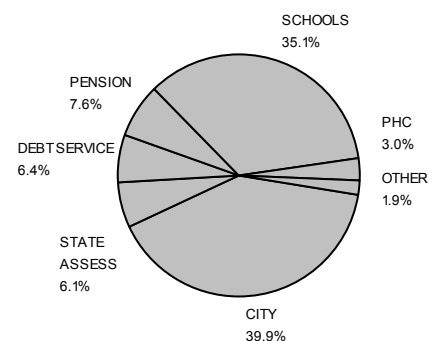
The state finds itself in the difficult position of projecting moderate revenue growth for the upcoming fiscal year while groups call to restore many of the reductions made in the prior few years and while trying to replenish reserves without raising taxes.

To counteract the lack of growth in state aid, protect against further reductions and provide for future revenue growth and diversification of the revenue base, the City has proposed several options to increase revenue in several key areas. See the *Financial Management* chapter of this volume for more detail.



FY05 Estimated Revenue

Figure 1



FY05 Estimated Expenditures

Figure 2

CITY OF BOSTON BUDGET SUMMARY

(Dollars in Millions)

	FY02 Actual	FY03 Actual	FY04 Budget	FY05 Budget
REVENUES				
Property Tax Levy	972.65	1,035.87	1,093.94	1,143.79
Overlay Reserve	(46.32)	(39.84)	(42.07)	(43.99)
Excises	80.65	83.12	62.60	70.45
Fines	60.76	59.31	60.13	62.06
Interest on Investments	14.80	8.55	4.20	7.30
Payments In Lieu of Taxes	18.27	22.08	22.18	22.76
Urban Redevelopment Chapter 121A	49.72	54.11	46.43	50.24
Misc. Department Revenue	54.04	45.23	29.17	35.42
Licenses and Permits	29.63	30.15	21.03	25.35
Penalties & Interest	8.07	9.17	7.85	8.00
Available Funds	4.57	11.85	11.93	12.03
State Aid	522.66	476.60	450.93	451.12
Teachers Pension Reimbursement	45.34	53.73	53.68	61.39
Total Recurring Revenue	1,814.84	1,849.92	1,822.00	1,905.90
Non-Recurring Revenue	0.00	13.00	4.88	1.88
Budgetary Fund Balance	0.00	0.00	25.00	15.00
Total Revenues	1,814.84	1,862.92	1,851.88	1,922.78
EXPENDITURES				
City Departments	754.60	776.48	753.17	767.35
Public Health Commission	64.01	63.90	58.58	57.80
School Department	639.71	650.60	646.10	674.80
Reserve for Collective Bargaining	6.20	8.38	17.00	32.10
Total Appropriations	1,464.52	1,499.37	1,474.85	1,532.05
Pensions	129.75	134.43	136.97	146.56
Debt Service	115.56	121.33	125.85	122.38
State Assessments	94.31	101.12	109.65	117.12
Suffolk County Sheriff	4.54	4.74	4.55	4.67
Reserve	1.00	0.15	0.00	0.00
Total Fixed Costs	345.16	361.76	377.02	390.73
Total Expenditures	1,809.68	1,861.12	1,851.88	1,922.78
Surplus (Deficit)	5.17	1.80	0.00	0.00

Numbers may not add due to rounding

This revenue situation provides the basis for planning FY05 appropriations and fixed costs to maintain a balanced budget. Selected FY05 budgeted revenues compare with FY04 budgeted revenues as follows: the net property tax levy increases \$47.9 million or 4.6%; excises increase \$7.8 million or 12.5%; fines increase \$1.9 million or 3.2%; interest on investments increases by \$3.1 million or 73.8%; payments-in-lieu-of-taxes increase \$0.6 million or 2.6%; Chapter 121A revenues increase \$3.8 million or 8.2%, miscellaneous department revenues increase by \$6.3 million or 21.4%; licenses and permits increase by \$4.3 million or 20.5%; and state aid increases \$0.2 million or 0.0%.

On the expenditure side of the budget, total departmental appropriations decrease by \$57.2 million or 3.9% and fixed costs increase by \$13.7 million or 3.6%. Selected FY05 budgeted appropriations compare with FY04 budgeted appropriations as follows: City departments increase \$14.2 million or 1.9%, the Boston Public Health Commission decreases by \$0.8 million or 1.3%, and the School Department increases \$28.7 million or 4.4%. FY05 budgeted fixed costs compare with FY04 budgeted fixed costs as follows: pensions increase \$9.6 million or 7.0%, debt service decreases \$3.5 million or 2.8%, state assessments increase \$7.5 million or 6.8% and Suffolk County Sheriff increases \$0.1 million or 2.5%. Please note that the "Other" category on the FY05 Estimated Expenditures pie chart (Figure 2) is made up of the Collective Bargaining Reserve and the Suffolk County Sheriff.

It should be noted also that the appropriation for the Suffolk County Sheriff, which is mandated by the State, is included in the Fixed Costs section of the Budget Summary. Prior to FY04, funding for the Sheriff was shown in the Appropriations section as part of a County appropriation. Because funding for the Suffolk County Sheriff is a mandated cost it is more appropriate to categorize it as a fixed cost. The appropriation for the City's County Pensions and Annuities expenses is included in the City Departments appropriation.

REVENUE

Consistent revenue growth has allowed the City to record 18 consecutive operating budget surpluses through FY03, despite mid-year reductions of state aid in that year (Figure 3). FY04 is expected to

close without any substantial surplus. The FY05 Budget is balanced on the following revenue projections.

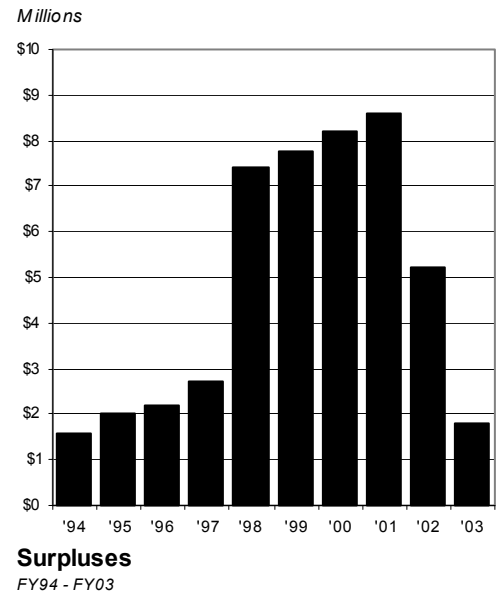


Figure 3

Property Tax Levy

A detailed discussion of the property tax levy is provided in the *Revenue Estimates and Analysis* chapter of this volume. Below is a brief summary.

The property tax levy has been the City's most dependable source of revenue growth during the past twenty years. The increases have been steady and consistent from FY85 to FY04, ranging from \$28 million to \$63 million. However, because of the increasing property tax levy base, the \$29.9 million increase in FY85 represented an 8.9% increase, while the \$63.2 million increase in FY03 represented only 6.4% growth. Property tax levy growth is fundamental to the financial health of the City since it provides over half of all City revenue.

Proposition 2 1/2 has been the overwhelming factor affecting the City's property tax levy since its adoption in 1980. Proposition 2 1/2 limits the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property. It also limits the total property tax levy to no more than a 2.5% increase over the prior year's total levy with certain provisions for taxable new value. Finally, Proposition 2 1/2 provides for local overrides of the levy limit and a local option to exclude certain

debt from the limit. The City of Boston, however, has not voted to either override the levy limitations or to exclude any debt from the limit.

In each year since FY85, the City has increased its levy by the allowable 2.5%. During these same years, the levy has also been positively impacted by taxable new value. Taxable new value is expected to be approximately \$22.5 million in FY05. Revenue growth from taxable new value has exceeded revenue growth from the 2.5% increase in 13 of the last 21 years (Figure 4). For the four years inclusive between FY00 and FY03, taxable new value revenue growth achieved a new record each year. FY03 taxable new value increased in large part due to the efforts of the Assessing Department to update personal property data. This increase cannot be duplicated in future years. The combined effect of the allowable 2.5% increase and the taxable new value is an average annual gross levy increase from FY98 through FY04 of \$49.2 million or 5.6%, and a projected increase in FY05 of \$49.8 million or 4.6%. The gross property tax levy totaled \$972.6 million in FY02 and crested \$1 billion in FY03 to \$1,035.9 million. The gross levy in FY04 is \$1,093.9 million and is estimated to reach \$1,143.8 million in FY05.

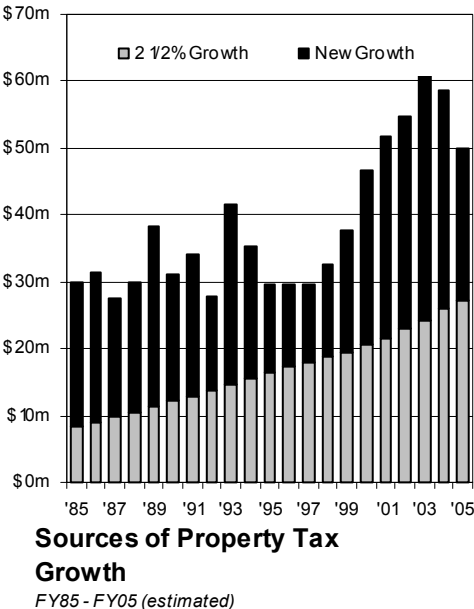


Figure 4

Property values in Boston have been rising steadily. During FY04, the City conducted the eighth parcel-specific revaluation that established values as of January 1, 2003 at \$66.1 billion, an

increase of 15% over the prior year's market indexed valuation of \$57.5 billion. (Figure 5)

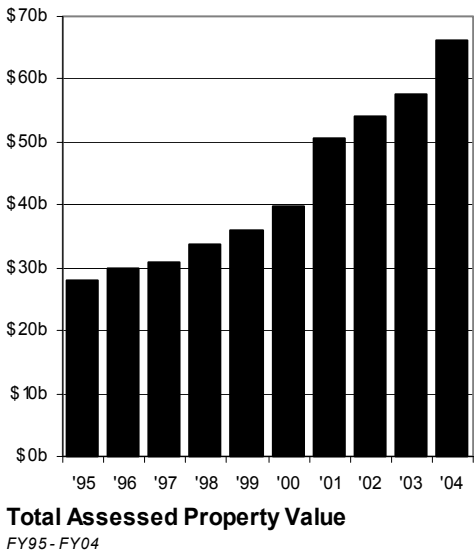


Figure 5

Excises

The Commonwealth imposes an excise on the registration of motor vehicles, the proceeds of which are received by the municipality where the vehicle is principally kept. The excise is a uniform rate of \$25 per \$1,000 of vehicle valuation. Valuations are determined by a statutory depreciation schedule based on the manufacturer's list price and the year of manufacture.

As employment, wages and consumer confidence increased and financing costs decreased in 1999 and 2000, more people returned to the market for new cars producing back-to-back years of record auto sales. Strong sales continued during the recession due to manufacturers incentives and cash-out refinancing of home mortgages giving lump sums of cash to homeowners or low mortgage rates substantially reducing monthly debt burdens. Having reached the peak of automobile sales in 2000, the City expects the market to soften or plateau, eroding revenues through the depreciation schedule mentioned above. Motor vehicle excise revenue totaled \$42.8 million in FY02 and \$45.6 million in FY03. The City expects motor vehicle excise revenue to exceed the

midyear budget estimate of \$33.8 million in FY04 and settle at \$36.5 million in FY05.

The local room occupancy excise amounts to 4% of the total amount of rent for each hotel or motel room occupied (in addition to the state excise). Boston's occupancy and average daily room rates are usually among the highest in the nation, but data on tourism shows that this market was strongly affected by the events of September 11, 2001 and the national recession. Business and tourism travel in cities across the nation was reduced and Boston was not an exception. Recently, receipts have stabilized and are starting to grow as occupancy has increased, even as room rates have continued to decline. General fund room occupancy excise revenue totaled \$21.0 million in FY02 and \$18.0 million in FY03. The City's general fund room occupancy excise tax receipts are expected to reach the midyear budget estimate of \$18 million in FY04, and are projected to increase to \$20.5 million in FY05.

Room occupancy excise revenue from the significant number of new hotel rooms planned, already in construction, or recently constructed is earmarked to the Convention Center Fund to pay a significant portion of the City's debt for the new Boston Convention and Exhibition Center. Therefore, future growth in room occupancy excise in the general fund depends strictly upon increases in room rates and room occupancy in the 1997 base of hotel rooms.

The excise on the sale of jet fuel is 5% of the sales price, but not less than five cents per gallon. One reason that jet fuel excise revenue has tended to increase slowly is that with jet fuel selling consistently below \$1.00 per gallon, the five cents per gallon minimum tax has generally been the operative rate. Jet fuel excise tax collections were also severely impacted by the events of September 11 and the national recession, as travel and cargo shipping slowed sharply. The City expects jet fuel excise collections to reach bottom in FY04 and recover as the economy strengthens and travel returns in FY05. Jet-fuel excise revenue in FY02 totaled \$16.2 million and in FY03 \$18.8 million (which included one extra payment recorded in that year). The City expects this revenue source to exceed the midyear projection of \$10.5 million in FY04 and projects an increase to \$13.0 million in FY05. (Figure 6)

Fines

Over the last three years, the City has issued an

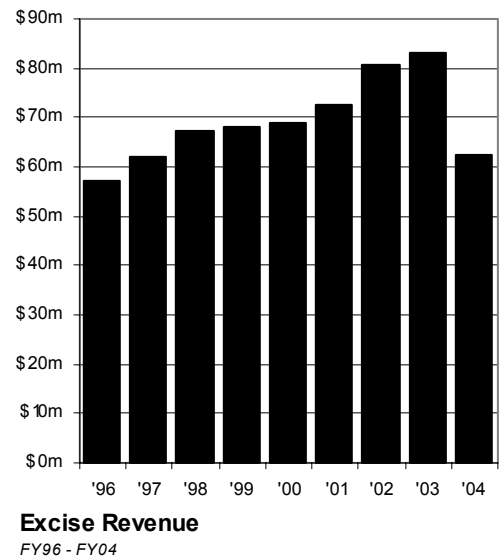


Figure 6

average of approximately 1.73 million parking tickets per year and has maintained a high rate of collection on its tickets for several years, collecting approximately 84.4% of tickets in the first six-months after issuance. The major factors contributing to the City's successful collection rate include non-renewal of violator's registrations and licenses by the Registry of Motor Vehicles until penalties are paid, booting and towing of vehicles, increased ability to recover fine payments from rental agencies, and systematic collection of fines for company cars and leased vehicles. The City collected parking fine revenue of \$56.5 million in FY02 and \$55.3 million in FY03. Parking fine revenue is expected exceed the mid-year budget estimate of \$56.5 million in FY04. The FY05 projection of \$58.5 million is based upon increased issuance due to increased staff in parking enforcement operations and increases in various fine rates enacted over the past two years.

Interest On Investments

In general, the City's level of investment income is a function of the level of prevailing short-term interest rates and daily cash balances. Investment income peaked at \$26.1 million in FY01 driven by rising cash balances and interest rates. Interest rates have now fallen to 41-year lows (see chart of Federal Funds rate decreases in the *Revenue Estimates & Analysis* chapter of this volume), and

although cash balances have remained fairly strong despite sizeable cuts in state aid, earnings have suffered as a result. Investment income totaled \$8.6 million in FY03, but is expected exceed the midyear budget estimate of \$4.2 million in FY04. As the Federal Reserve is likely to increase interest rates near the end of 2004 while balancing economic recovery and inflation, the City expects better cash balances in tandem, therefore the City projects interest income will rise to \$7.3 million in FY05 as a result – still less than one-third of its FY01 peak.

Payments In Lieu of Taxes

Payments in lieu of taxes (PILOT's) are payments made by tax-exempt institutions located in the City, including hospitals, universities and cultural institutions, as a voluntary contribution for the municipal services that the City provides to them such as police and fire protection and snow removal. The Massachusetts Port Authority provides almost half of the PILOT revenue the City receives annually. Growth in PILOT's comes from new PILOT agreements, contract escalations that adjust the payments for inflation, or re-negotiation of a current contract. Payments in lieu of taxes totaled \$18.3 million in FY02 and \$22.1 million in FY03. Massport reduced its payment in FY02 after the September 11 attacks, reducing revenue substantially in that year. The City expects this revenue source to slightly exceed the midyear budget estimate of \$22.2 million for FY04 and has projected \$22.8 million for FY05 inclusive of new agreements expected to result from negotiations underway.

Urban Redevelopment Chapter 121A

Chapter 121A legislation allows local governments to suspend the imposition of property taxes at their normal levels in order to encourage redevelopment. In recent years, the City used this mechanism to encourage development of the Seaport Hotel and the World Trade Center office buildings. Chapter 121A revenues are based on two separate sections of the law as described below.

The Urban Redevelopment Corporation excise is a municipal excise in-lieu-of-income tax for which the Commonwealth acts as the collector and distributor. In most cases, the formula for the 121A, Section 10 excise in-lieu-of-tax is \$10 per

\$1,000 of the current fair cash value plus 5% of current gross income. In FY02 and FY03, the City received Chapter 121A, Section 10 distributions of \$31.7 million and \$35.3 million, respectively. In FY04 and FY05, Chapter 121A Section 10 revenues are budgeted at \$31.0 million and \$33.0 million, respectively.

In addition to the Section 10 payments collected by the Commonwealth described above, most 121A corporations have individual Section 6A agreements with the City that result in additional payments made directly to the City. These Section 6A agreements are complex, with actual amounts owed dependent on a formula that varies widely among the 121As. The City collected Section 6A payments of \$16.7 million in FY02 and \$17.3 million in FY03. The City expects FY04 Section 6A collections to exceed the midyear budget estimate of \$13.9 million and has a budget of \$15.7 million for FY05.

Miscellaneous Department Revenue

This category contains several large accounts and many more small accounts. The largest revenue source in this revenue category is municipal medicaid reimbursements for school health services. This federal reimbursement, administered by the state, began in FY94. The City received \$16.6 million in FY02 and \$17.6 million in FY03. Municipal medicaid reimbursement is expected to reach the midyear budget estimate of \$10.5 million in FY04, and is budgeted at \$11.0 million in FY05. There are two other accounts in this revenue category that are projected to exceed \$2.5 million in FY05. Fire service fees are projected at \$2.9 million and street and sidewalk occupancy fees are projected at \$2.5 million.

Licenses and Permits

The level of economic activity largely determines the amount of licensing and permitting done by City agencies. This category is dominated by building permit revenue, from which the City received \$19.1 million and \$20.1 million in FY02 and FY03 respectively. Building permit revenue should exceed the midyear budget estimate of \$11.5 million in FY04 due to strong residential construction and continuing commercial projects. The City expects to receive \$15.0 million in building permit revenue in FY05.

The next highest license and permit revenue is the cable television license fee from which the City received \$3.2 million in FY02 and \$2.6 million in FY03. The City has a budget of \$2.6 million for FY04 and \$2.9 million in FY05.

Alcoholic beverage licenses are the only other revenue source in this category that regularly exceeds \$2 million in annual revenue. Alcoholic beverage licenses are budgeted at \$2.2 million in both FY04 and FY05. These estimates follow actual revenue of \$2.3 million in both FY02 and FY03.

Penalties and Interest

Taxpayers are assessed both a penalty and interest for late payments of property tax bills and motor vehicle excise bills. The recent trend has been down for these revenues as the City excels in collection of receivables, but when the economy suffers and unemployment increases, more taxpayers are late in making payments, temporarily increasing revenues. The City collected \$8.1 million and \$9.2 million in such penalties and interest in FY02 and FY03 respectively. Actual penalty and interest collections for FY04 will reach the current midyear budget estimate of \$7.8 million. The City expects to collect \$8.0 million in penalty and interest revenue in FY05.

Available Funds

Available funds are linked to a separate category of expenditure appropriation, that is, appropriations that are supported by immediately available fund transfers. Most of the City's general fund budget is raised and appropriated from the tax levy, which means it is supported by the revenues that are estimated to come in during the course of the fiscal year. This includes the property tax levy, excises, state aid and the various other categories of revenues described above. The only two significant available funds that the City budgets each year are parking meter revenues to support the Transportation Department, and cemetery trust monies which are used to support the City's maintenance of its public cemeteries. The City transferred a total of \$4.6 million and \$11.8 million from these two sources combined in FY02 and FY03 respectively. The City expects to transfer \$10.0 million from the Parking Meter Fund to the General Fund in both FY04 and FY05. The City also plans to transfer \$1.9 million from

the Cemetery Trust Fund to the General Fund in FY04 and \$2.0 million in FY05. These monies were available at the beginning of FY04 and will also be available at the beginning of FY05. Both of these special funds have fees collected during the course of the year. By transferring out less than what is collected over the years, the City has built up the balances of these funds. Trust fund balances also benefit from the opportunity to invest in securities offering a higher return than short-term fixed-income investments (see *Financial Management* section of Volume I for detail).

State Aid

A detailed discussion of state aid is provided in the Revenue Estimates and Analysis chapter of this volume. Below is a brief summary.

In FY03, the Commonwealth's annual expenditure for direct local aid statewide was substantially reduced twice. The first statewide reduction of a net \$32 million dollars occurred in late July 2002, one full month into the fiscal year, and mostly as a result of vetoes by the Governor. The second reduction of \$114 million statewide occurred in January 2003, as a result of the Legislature granting the new Governor temporary power to make unilateral reductions to local aid accounts.

In the decade prior to FY03, the Commonwealth had been successful in balancing its budget. This had given the Commonwealth the capacity to support an adequate and diversified local revenue base for municipalities. Recently, due to the national economic recession, the corresponding drop in state tax revenues left the state in need of making program reductions, drawing on reserves, increasing taxes, and reducing local aid. Municipalities are now primarily reliant on the property tax not only for revenue growth, but also to offset state aid reductions.

In the Governor's budget (House 1) released in January 2004, local aid would be virtually unchanged from FY04 amounts which were reduced from FY03. The City currently has based its budget on the Governor's estimates as the House will not release its budget until April 14th. There is some risk to FY05 state aid estimates due in part to the Governor's reliance on savings from reform measures that the legislature may choose not to adopt or the projected savings may be overstated.

The primary forms of local aid distributions from the state to municipal general revenues are Chapter 70 education aid, additional assistance and lottery. The amount of these funds to be distributed each year to an individual community is described on the “cherry sheet”, a listing of a city or town’s local aid that is printed on cherry-colored paper. Also listed on the cherry sheet is other relatively smaller Commonwealth programs such as library aid, school construction and transportation and other reimbursements, and highway funds. The Governor’s Budget for FY05 level funds Boston’s education aid with FY04. The City received Chapter 70 education aid totaling \$205.6 million in FY02 and FY03. The City expects to receive \$200.5 million in FY04 and FY05.

FY00 was the last year of the statutorily established funding schedule for education reform. The current education aid is delivered in tandem with state-mandated costs for charter schools. Charter schools are publicly funded schools administered independently from local school committee and teacher union rules and regulations whose charters are granted by the State Board of Education. There are two kinds of charter schools, the Commonwealth charter school and the Horace Mann charter school. The former is a school outside the local public school system and the latter is part or all of a school in the public school system. In addition to the Board of Education, the local school committee and local union bargaining agent must approve Horace Mann charter schools. In addition, Horace Mann charter schools budgets remain part of the public schools budget.

There are currently twenty Commonwealth charter schools and two Horace Mann charter schools available to Boston resident students. There were approximately 4,026 Boston resident students attending Commonwealth charter schools in FY04 and the City expects that number to grow to approximately 4,792 in FY05.

Before FY99, all charter school tuition was drawn directly from the City’s Chapter 70 aid. This draw on the City’s education aid totaled \$10.9 million in FY98. Under amendments to the charter school law, the Commonwealth, subject to appropriation, will pay to the City, as reimbursement for Chapter 70 aid reductions, 100% of tuition for new charter

school students the first year, followed by 60% of tuition and tuition increases the second year, 40% of tuition and tuition increases the third year and 0% of tuition and tuition increases the fourth year. In FY03, the Commonwealth failed to appropriate funding for the charter school reimbursement, therefore the City paid the full tuition cost of \$32.1 million in that year. The Commonwealth’s FY04 Budget included \$4.9 million for Boston’s share of the reimbursement on its \$39.9 million tuition assessment, leaving a net cost to the City of \$35.0 million in FY04. In FY05, the City has budgeted a \$4.3 million reimbursement on a \$46.9 million tuition assessment for a net impact of \$42.6 million.

Lottery aid for municipalities, had grown steadily the last few years as a result of a state decision to phase-out a cap on lottery aid and return all lottery profits to cities and towns. The City’s lottery aid was \$71.0 million in FY01 and \$63.5 million in FY02 without the cap. Lottery aid was then level funded in the state’s FY03 budget and later reduced mid-year as part of the new governor’s budget reductions. The City received FY03 lottery aid of \$57.6 million after the mid-year reduction, and another cap on lottery aid was imposed. The City expects to receive \$53.9 million in FY04 and FY05 as the state continues to divert growth in lottery receipts away from cities and towns.

Under normal circumstances, the lottery formula is not favorable for the City. The City receives a smaller percentage share of lottery aid than its share of the state population, and dramatically less than the share of lottery proceeds derived from sales in Boston. Nevertheless, lottery aid had been an important source of revenue growth, aiding the City’s efforts to sustain adequate municipal services. Now that lottery aid is in effect capped by the state again, it may take several years before this important source of local revenue is restored.

Additional Assistance has been level funded since FY94, with most local aid increases coming through Chapter 70 education aid instead. Its purpose and usefulness came into question during the FY03 state budget process when the governor vetoed \$31 million from the statewide appropriation and the legislature failed to override

that veto. Subsequently, the new governor, using his temporary local aid reduction powers, reduced additional assistance yet again in January 2002 by \$73 million. As Boston receives over 40% of the statewide distribution of additional assistance, these reductions, as a proportion of all local aid reductions, fell disproportionately on the City.

The City received \$175.1 million in additional assistance in FY03 after the reductions in that year and \$164.2 million in FY04 after a further reduction. The City expects additional assistance in FY05 to level with FY04. Additional assistance has been important to Boston in supporting schools, public safety, and other basic city services. Its continued reduction would seriously risk the City's ability to provide those services to residents and visitors alike.

Teachers' Pension Reimbursement

Boston's cherry sheet includes an item unique to the City, the teachers' pension reimbursement for pension charges to the City. The pensions paid to retired teachers in all other cities and towns in Massachusetts come directly from the Commonwealth via the State-Teachers Retirement System. In a singular arrangement mandated by general law, pensions paid to retired Boston teachers are paid by the State-Boston Retirement System, which charges the City of Boston for this cost as part of its annual pension funding. The City is then reimbursed by the Commonwealth through the cherry sheet. In short, the Boston teachers' pension payroll is administered locally, but, as with all other teachers' pensions in Massachusetts, is the financial responsibility of the Commonwealth. The teachers' pension reimbursement totaled \$45.3 million in FY02, \$53.7 million in FY03, and is budgeted to be \$53.7 million in FY04. The teachers pension reimbursement is estimated at \$61.4 million in FY05.

Non-recurring Revenue

Included in the FY05 Budget is \$1.9 million in non-recurring revenue to be transferred from the surplus property disposition fund. In maintaining its policy of not supporting recurring operating costs with non-recurring revenue, the City is limiting the remainder of this transfer to an amount not greater than \$1.0 million for the Risk Retention Reserve plus \$876,000 for costs

associated with an after-school program initiative. (See *Financial Management* section of Volume I for more detail on this revenue source.)

Budgetary Fund Balance

Fund Balance can be appropriated for use during the fiscal year. Fund Balance, or Budgetary Fund Balance, is more commonly referred to as "Free Cash" when used this way. This item is most simply described as the portion of available reserves, generated to a considerable degree by annual operating surpluses, which the City can responsibly appropriate for spending. The law governing the calculation and availability of budgetary fund balance for cities and towns is Chapter 59, section 23 of Massachusetts General Law, and is administered by the Massachusetts Department of Revenue. On December 9, 2003, the Director of Accounts certified that the amount of funds available for appropriation ("free cash"), as of July 1, 2003, was \$61,121,000. The FY04 Budget assumes the use of a \$25.0 million appropriation from that amount. For FY05 a \$15.0 million appropriation has been assumed. (See *Financial Management* section of Volume I for more detail on this revenue source.)

EXPENDITURES

Expenditures are broken down into two primary groups: appropriations directly related to departmental services and fixed and mandated costs. FY05 appropriations are subdivided further as follows:

City Departments, which includes all operating department appropriations, a risk retention reserve and a set-aside for tax title and annual audit expenses;

Boston Public Health Commission, the City appropriation for the quasi-independent authority and successor to the Department of Health and Hospitals;

School Department, the City appropriation for the Boston Public Schools (BPS);

Reserve for Collective Bargaining, an appropriation for outstanding labor agreements;

Appropriations are also presented by expenditure category across the four subgroups. (Figure 7)

Personnel Services include salaries, overtime, medicare, unemployment compensation and

workers' compensation for employees in City departments and BPS. Health Insurance provides coverage for City and BPS employees. The Contractual Services category includes expenditures for communications, repairs and service of buildings, equipment and vehicles, transportation, trash collection and disposal, as well as outside legal, advertising and printing expenses. PHC is the City's appropriation to the Public Health Commission as noted above. Included in the Other category are supplies & materials such as gasoline, uniform allowances, office supplies, Workers' Comp medical expenses, medical indemnification in the Fire and Police Departments, legal liabilities and aid to veterans. Also included in Other are appropriations for equipment, vehicles, tax title and the City's outside audit.

City Departments

The combined appropriations for City Departments as shown in the FY05 Summary Budget have increased by 1.9% from the FY04 appropriations. Over 73% of this category covers four appropriations: Police, Fire, Public Works and Health Benefits.

These appropriations also can be divided by cabinet, to better reflect the overall policy priorities and trends by service area. (Figure 8)

Some of the highlights of FY04/FY05 changes by cabinet are as follows:

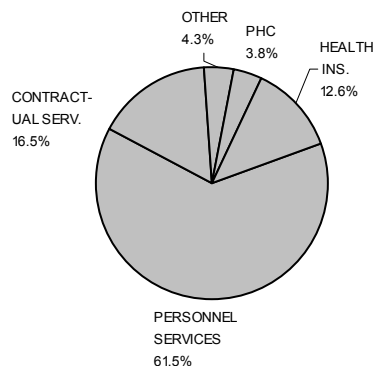
Mayor's Office

The cabinet will see an increase of 17.3%. However, in FY05 all of the departments in this cabinet will operate at funding levels identical to FY04 funding levels. The significant change in the cabinet in FY05 is the transfer of Special Events and Tourism from the Basic City Services cabinet and the transfer of Cultural Affairs from the Human Services cabinet into a new Mayor's Office department called Arts and Cultural Development. This new Mayoral department will bring together the existing resources of two departments to build on the similarities of their missions to demonstrate the value of arts and culture to Boston's cultural vitality and tourism industry.

The operating budget appropriation shown for the Office of New Bostonians (ONB) covers the salary

of the director and is being level funded in FY05. The Baxter Trust covers the major expenses of ONB.

Also included in the Mayor's Cabinet is a new Office of Homeland Security. The Office will not require an operating budget appropriation in FY05; its operations will be totally funded through a



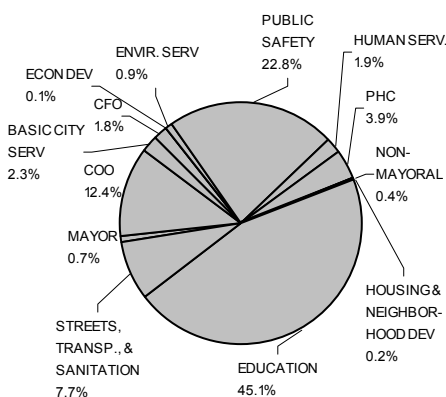
FY05 Expenditures by Category

Figure 7

federal grant. The new office will coordinate and direct Boston's inter-departmental and multi-jurisdictional homeland security activities.

Chief Operating Officer

Excluding the City's appropriation for health insurance, this cabinet will see a net increase of .2% in its FY05 appropriation. The only increases in funding within the COO cabinet will be seen in two departments that provide direct service to the



FY05 Expenditures by Cabinet

Figure 8

public. Although it is showing an increase in its general fund appropriation in FY05, the operations of the Library will be essentially level funded. In FY04 the Library used approximately \$500,000 from an external source that will not be available in FY05. This funding has been replaced with general fund revenue. The funding level for the Library also assumes that the historical appropriation requirements of the state in order to be eligible for state funding will continue to be waived. The Registry Division of Births, Deaths and Marriages will see a 1.7% increase in its FY05 appropriation for personnel costs related to contractual requirements. The Registry offices will continue to be closed to the public on Wednesdays.

The Health Insurance appropriation will increase by 11% over the FY04 appropriation, requiring an additional \$13.7 million. The Health Insurance appropriation includes the cost of dental and vision coverage for employees (not including BPS and PHC) who are eligible for coverage through collective bargaining agreements or executive order. (A more detailed discussion of health insurance can be found later in this chapter.)

Chief Financial Officer

After excluding tax title funding from the FY04 appropriation, the net percentage increase in this cabinet is 1.1%. All departments within the cabinet will operate with level funding or with slight reductions. However, the Finance Cabinet also includes appropriations for Medicare Payments, Pensions & Annuities and Executions of Courts. The net increase in the cabinet is solely the result of an increase in the appropriation for Medicare.

Public Safety

The 0.4% decrease in this cabinet is the result of some one- time FY04 appropriations made in the Police Department – in particular a supplemental appropriation of \$1.1 million approved to fulfill the City's required funding match for a federal grant as well as bonus payments made to a large number of participants in the Voluntary Retirement Incentive program. Setting aside the one time FY04 appropriations, the Public Safety Cabinet will see a small increase. In both the Fire Department and the Police Department the focus continues to be on maintaining levels of field service that will

continue to protect both residents of Boston and those who come to Boston to work or visit. Each department will be hiring two classes of recruits during FY05 to support those levels of field service.

The FY05 budget for the Fire Department will increase by approximately \$342,000, or 0.3%. As in the Police Department, the increase is actually higher considering the one time costs incurred for bonuses and buybacks relating to the Voluntary Retirement Incentive program. As stated above, the Fire Department appropriation provides for two classes of firefighters – one in the fall and one in early spring. Fire Department management will continue to focus on the efficient use of overtime. In particular, overtime related to sick and injured leave is being reviewed. In FY05, increased emphasis will be put on the case management of injuries.

The Police Department's appropriation will decrease by approximately \$1.7 million or 0.8%. The decrease is purely the result of appropriations made in FY04 for one- time costs. Setting aside those one time costs the department will actually see a slight increase. The FY05 Budget reflects the department's continuing efforts to focus its resources on the direct delivery of neighborhood policing services. Improved information management through enhanced technology and the review of personnel assignments to revise staffing patterns and assign more officers to direct service positions are high priorities. The department has put into place new procedures that will allow better analysis and management of overtime. As noted above, the appropriation includes funding for two classes of recruits.

Economic Development

This cabinet will be funded at the same level in FY05 as it was in FY04. With the expiration of the City's M/WBE ordinance at the close of calendar year 2002, the Mayor issued an Executive Order on Small and Local Business Enterprise Development to ensure the equitable participation of small and local business in the City's contracting arena. In FY04, the Small and Local Business Enterprise Office (S/LBE) was responsible for the development, coordination and implementation of the executive order.

During FY04, the S/LBE Office, with the help of a Mayorally appointed advisory board and a national

non-profit public interest law firm, has been working to advise the City on the development of public policy and administrative practices to enhance the participation of Small, Local and Minority and Women Business Enterprises (SLMWBE).

This new policy and administrative practices will be the basis for the creation of a City Ordinance to effectuate the policy to address market inequities and compliance with Massachusetts competitive bidding and contracting laws.

Prior to the beginning of the fiscal year, all departments will be required to acknowledge and commit to meeting the goals and complying with the administrative practices set forth in the SLMWBE Ordinance and use best faith efforts to achieve the stated objectives and insure that all key staff are fully aware of the provisions of the Ordinance.

The City's commitment to centralizing planning for the City within the Boston Redevelopment Authority will continue to be funded fully with BRA revenues in FY05.

Basic Services

A change in this cabinet is the transfer of the Office of Special Events and Tourism from Basic Services to the Mayor's Office cabinet as a component of a new department called Arts and Cultural Development. The combined appropriations for the Basic Services cabinet show a decrease of 1%.

The Election Department shows a decrease of approximately \$300,000 or 11.2%. Unless a special election becomes necessary during the year, the department will have one less election in FY05.

Overall, the Parks Department will see a 3.7% increase in its FY05 appropriation. However, in FY04, the Parks Department used a one time external source of revenue to fund operating budget expenses. In FY05, in order to provide the same level of service, that funding will have to be replaced with general fund revenue. Increased costs for electricity and water also have a large impact on this budget. Inflationary increases resulted in a 15.3% increase in the utility appropriation for the Park Department.

The increase of 2.2% in funding for Property & Construction Management is mainly the result of the department assuming the maintenance responsibility for 26 Boston Centers for Youth & Families (BCYF) buildings in FY05. Day to day custodial maintenance of the buildings will remain with BCYF, however, preventive maintenance and repair of mechanical systems and structures will be provided by Property and Construction Management.

Streets, Transportation & Sanitation

Departments included in this cabinet are Public Works, Central Fleet Maintenance and Transportation, as well as the City's appropriation for Snow Removal. The net increase of 4.1% in the Cabinet appropriation is mainly due to inflationary costs in Public Works as stated below.

The operations of the Public Works and Transportation Departments continue to be organized in this cabinet structure in FY05 to facilitate the ongoing consolidation of functional overlaps between the two departments. Specific steps being made toward this goal are outlined below.

In FY05 the traffic signal unit in the Transportation Department will be folded into the street light program in Public Works to have a single consolidated group that will maintain lighting, poles, wires and controls for both street lights and traffic signals. While no funding has been reduced from either the street light or traffic signal programs, there are anticipated operational efficiencies and improved service delivery with the shared resources of the two units. Public Works will also expand its role with the installation of pavement markings throughout the City. The contracting for pavement marking installation will be centralized in the Public Works Department. The Transportation Department will continue to advise Public Works regarding any proposed changes to pavement markings layouts.

The percentage increase from FY04 to FY05 in the Public Works Department's appropriation is 9%, however the majority of the increase is related to utilities, trash collection and disposal, and the traffic signal unit and pavement marking transfer into Public Works described above. Additionally, there are increased costs associated with the

restoration of Summer Youth Workers in FY05 who will reinstate a street cleaning service that was eliminated during FY04. In FY05 the Transportation Department will continue its policy of providing selected in-house towing services while pursuing lower cost alternatives for towing operations.

Environmental Services

The total appropriation for the departments in the Environment Cabinet show a slight increase of 0.8%. The Inspectional Services Department (ISD) will see a slight increase of 0.6%. The Environment's increase of 4.5% is mainly to cover the return of an employee who had taken a leave of absence in FY04. Funding to help support the operations of the Groundwater Trust is also included in the Environment Department's appropriation.

Human Services

Overall, the FY05 appropriation for the Human Services Cabinet shows a decrease of 5.3% from the total FY04 appropriation. Boston Centers for Youth & Families (BCYF) will continue its efforts to provide greater efficiencies and enhance its provision of services. In FY05, BCYF seeks to expand service delivery by partnering with community-based organizations located near BCYF facilities. The 4.7% reduction in BCYF's FY05 appropriation includes the strategic shift of facility maintenance funding for BCYF's 26 facilities to the Property & Construction Management Department. Day to day custodial maintenance of the buildings will remain with BCYF, however, preventive maintenance and repair of mechanical building systems and structures will be provided by Property and Construction Management. Another component of the reduction is the final phasing out of the City Roots alternative education program.

The FY05 Youth Fund appropriation will be level funded with the FY04 appropriation. The Youth Fund is exploring creative ways to maximize youth employment with community-based organizations while also maintaining neighborhood clean ups. The Mayor continues to ask for an expanded commitment from the private sector to help wherever possible to remedy the situation through the provision of jobs or direct funding for summer employment. The Fund will continue to provide

centralized funding for the support of the Mayor's Youthline.

In FY05, the Elderly Department will prioritize senior shuttle trips for medical visits. The Department will also utilize its existing external funds more efficiently and continue to increase its efforts to increase partnerships with the private sector and to identify new external funding sources.

Housing and Neighborhood Development

This cabinet is showing a major decrease from the FY04 appropriation. The major portion of the decrease is the result of the elimination of the Leading the Way appropriation for affordable housing - \$3 million provided in the FY04 appropriation was the last portion of the City's \$33 million commitment to the Leading the Way affordable housing program. Although the FY05 budget does not contain a general fund appropriation for Leading the Way, a second phase of the City's affordable housing program is being planned.

In FY05, the Department of Neighborhood Development (DND) will be funded at the same level as the FY04 appropriation. In FY05, DND will continue its use of external funds, such as the Community Development Block Grant and the Neighborhood Development Fund to maintain service delivery. DND also hopes to increase partnerships with the private sector to continue its homeowner services programs.

Public Health Commission

The Commission is responsible for providing the public health operations formerly provided by the Department of Health and Hospitals (DHH) and Trustees of Health and Hospitals (THH). It is a principal component of the Boston Public Health Network, which includes the Public Health Commission, Community Health Centers, and Boston Medical Center. Through Boston Emergency Medical Services, the Commission also provides pre-hospital emergency care.

The FY05 appropriation for the Public Health Commission shows a decrease of 1.3% from the FY04 appropriation. The Public Health Commission Budget includes a \$10.75 million direct payment to the Boston Medical Center (BMC) required by the agreement reached when

the City consolidated Boston City Hospital and Boston University Medical Center Hospital. This is a reduction of \$250,000 from the direct payment required in FY04. The appropriation also funds an Emergency Medical Services (EMS) subsidy of \$8.4 million.

In addition to operating budget reductions, the Public Health Commission may also sustain significant reductions in state grant funding. The Governor’s budget, House 1, calls for the complete elimination of school health center funding. House 1 also calls for a reduction in substance abuse services and HIV/AIDS funding.

School Department

The FY05 School Department Budget is showing a \$28.7 million, or 4.4%, increase from the FY04 appropriation. The FY05 appropriation includes a collective bargaining reserve of \$21.6 million in anticipation of the ratification of the Boston Teachers Union contract and the subsequent approval of the contract by the City Council. Another element that needs to be considered when comparisons are done is the fact that the FY04 budget included a large amount of one- time expenses relating to the Voluntary Retirement Incentive program. These expenses will not need to be covered in FY05 making room for increases in other accounts. (See the *Education* chapter of this volume for more details.)

Health Insurance

Total Health Insurance costs for all employees and retirees are projected to increase by approximately \$21.6 million in FY05. The table on the following page shows total actual expenditures for health insurance in FY03 and budgeted totals for FY04 and FY05. These totals include estimates for City departments and grants, PHC, BPS and BPS grants.

In FY04 the City made a decision to drop two of the City’s HMO plans. The consolidation of plans enabled the City to keep the percentage increase in HMO premium rates at a more affordable level. Even with the consolidation, HMO rates increased by 10.9% in FY04 and will increase by another 10.5% in FY05. The rates for the City’s Master Medical indemnity plan increased by 17.1% from

FY03 to FY04 and will grow by another 22.9% in FY05.

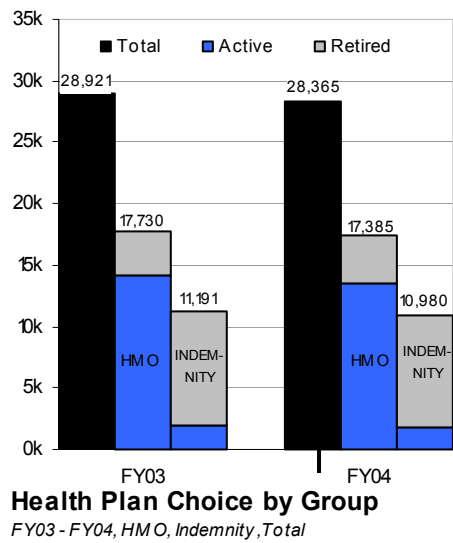


Figure 9

The graph above shows a breakdown of employee participation in the City’s health plans for FY03 and FY04. The first column of each year shows total participants; the second and third columns show HMO participation vs. Indemnity participation as well as the breakdown between retirees and. active employees. (See figure 9.)

The graph below shows the total FY05 projected cost per employee for health insurance with the employee and employer shares broken out. In FY05, based on current enrollment data, the average cost to the City per employee in a family

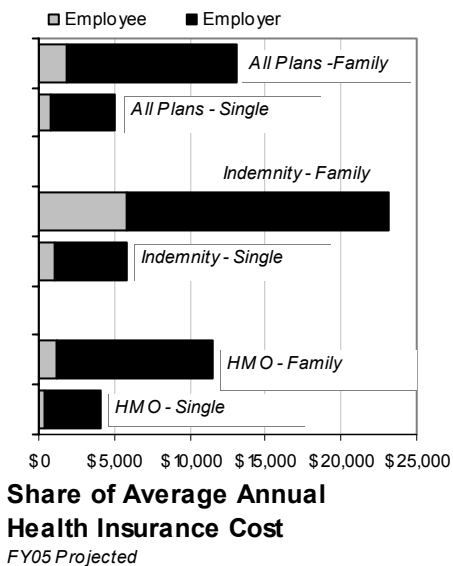


Figure 10

plan is expected to be \$11,281 in FY05. For an employee participating in an individual plan, the City's average contribution is expected to be \$4,280 in FY05. (See figure 10.)

It should be noted that of the total amount appropriated for health benefits in FY05, approximately \$74.9 million is for coverage for retired employees.

<u>Health Insurance Costs</u>			
Fiscal Year	Total Cost	Dollar Change	Percent Change
FY03	\$ 161.972		
FY04*	\$ 178.109	\$ 16.137	10.0%
FY05*	\$ 199.749	\$ 21.640	12.1%

Notes: (\$millions) *budget estimate

Appropriations by Cabinet

Cabinet	Department	FY02 Expenditure	FY03 Expenditure	FY04 Appropriation	FY05 Appropriation	Inc/(Dec) 05 vs 04
Mayor's Office	Arts & Cultural Development	0	0	0	1,544,334	1,544,334
	Boston 2 to 6	485,431	0	0	0	0
	Intergovernmental Relations	893,864	865,966	910,602	910,602	0
	Law Department	5,056,982	4,910,398	4,545,200	4,545,200	0
	Mayor's Office	1,753,999	1,511,182	1,486,155	1,486,155	0
	Neighborhood Services	1,031,259	939,333	1,018,814	1,018,814	0
	Office of New Bostonians	101,555	77,978	77,978	77,978	0
	Public Information	822,038	818,396	875,273	875,273	0
	Total	10,145,128	9,123,253	8,914,022	10,458,356	1,544,334
Chief Operating Officer	Chief Operating Officer	883,409	851,079	866,924	866,924	0
	Consumer Affairs & Licensing	434,201	391,574	367,594	366,594	-1,000
	Graphic Arts Department	1,583,314	1,557,956	1,375,630	1,375,630	0
	Health Insurance	99,260,487	108,927,233	125,372,228	139,105,481	13,733,253
	Human Resources	2,714,272	2,815,166	2,547,196	2,547,196	0
	Labor Relations	883,963	896,998	897,989	897,989	0
	Library Department	28,812,711	27,726,075	23,981,341	24,481,341	500,000
	Management & Information Svcs	10,175,365	13,447,131	13,225,277	12,999,690	-225,587
	Registry Division	828,021	753,375	741,412	753,728	12,316
	Unemployment Compensation	4,714	475	250,000	50,000	-200,000
	Workers' Compensation Fund	3,758,291	1,848,608	2,200,000	2,200,000	0
	Total	149,338,748	159,215,670	171,825,591	185,644,573	13,818,982
Chief Financial Officer	Assessing Department	5,259,789	4,860,721	5,145,247	5,113,616	-31,631
	Auditing Department	7,947,045	1,784,878	1,846,523	1,846,523	0
	Budget Management	2,639,061	2,467,746	2,098,718	2,098,718	0
	Execution of Courts	5,000,000	2,165,776	3,500,000	3,500,000	0
	Medicare Payments	3,952,017	3,902,067	4,100,000	4,450,000	350,000
	Pensions & Annuities	5,965,000	4,900,000	4,900,000	4,900,000	0
	Purchasing Division	1,250,423	1,229,368	1,132,472	1,132,472	0
	Taxpayer Referral & Assistance	417,885	331,696	0	0	0
	Treasury Department	3,824,036	3,969,953	4,001,098	3,366,298	-634,800
	Total	36,255,256	25,612,205	26,724,058	26,407,627	-316,431
Public Safety	Fire Department	134,625,425	142,652,586	131,855,749	132,198,117	342,368
	Police Department	219,548,409	217,405,619	211,284,811	209,576,261	-1,708,550
	Total	354,173,834	360,058,205	343,140,560	341,774,378	-1,366,182
Education	Boston Public Schools	639,710,231	650,600,546	646,100,000	674,800,000	28,700,000
	Total	639,710,231	650,600,546	646,100,000	674,800,000	28,700,000
Economic Development	Boston Residents Job Policy	459,174	448,500	429,119	429,119	0
	Small/Local Business	647,710	579,946	542,449	542,449	0
	Total	1,106,884	1,028,446	971,568	971,568	0
Basic Services	Election Department	2,784,097	2,562,585	2,691,229	2,388,740	-302,489
	Parks & Recreation Department	15,090,719	13,629,210	12,257,347	12,709,028	451,681
	Property & Construction Mgmt.	18,965,478	19,061,861	18,747,968	19,157,595	409,627
	Special Events & Tourism	1,190,399	982,213	910,216	0	-910,216
	Total	38,030,693	36,235,869	34,606,760	34,255,363	-351,397
Streets, Transp & Sanitation	Central Fleet Maintenance	1,719,447	1,607,885	2,070,286	2,002,870	-67,416
	Public Works Department	68,700,478	75,187,710	73,384,729	80,018,339	6,633,610
	Snow Removal	4,413,201	9,803,961	7,678,266	7,700,538	22,272
	Transportation Department	28,689,859	27,993,350	27,569,669	25,511,179	-2,058,490
	Total	103,522,985	114,592,906	110,702,950	115,232,926	4,529,976
Environmental Services	Environment Department	980,546	990,458	914,866	955,605	40,739
	Inspectional Services Dept	12,951,700	13,590,043	13,081,103	13,154,261	73,158
	Total	13,932,246	14,580,501	13,995,969	14,109,866	113,897
Human Services	Boston Centers for Youth & Families	0	18,578,788	18,404,142	17,539,201	-864,941
	Boston Community Centers	15,594,053	0	0	0	0
	Civil Rights	292,794	307,546	277,190	277,190	0
	Community Partnership	1,577,156	0	0	0	0
	Cultural Affairs	1,012,409	720,188	634,118	0	-634,118
	Elderly Commission	2,757,518	2,495,236	2,403,967	2,370,529	-33,438
	Emergency Shelter Commission	583,381	572,183	524,098	524,098	0
	Veterans Services Department	2,994,562	3,257,326	3,215,983	3,198,983	-17,000
	Women's Commission	151,635	152,484	140,181	140,181	0
	Youth Fund	8,743,946	6,616,769	3,794,833	3,794,833	0
	Total	33,707,454	32,700,520	29,394,512	27,845,015	-1,549,497
Neighborhood Development	Neighborhood Development	7,078,957	2,681,827	2,269,614	2,269,614	0
	Leading the Way	0	13,000,000	3,000,000	0	-3,000,000
	Rental Housing Resource Center	646,257	664,809	647,015	647,015	0
	Total	7,725,214	16,346,636	5,916,629	2,916,629	-3,000,000
Public Health	Public Health Commission	64,005,045	63,897,045	58,582,237	57,800,000	-782,237
	Total	64,005,045	63,897,045	58,582,237	57,800,000	-782,237
Non-Mayoral Departments	City Clerk	863,854	863,978	845,596	833,596	-12,000
	City Council	3,534,186	3,768,974	3,813,657	3,981,624	167,967
	Finance Commission	184,254	166,213	159,375	162,868	3,493
	Licensing Board	581,780	590,406	558,329	558,329	0
	Total	5,164,074	5,389,571	5,376,957	5,536,417	159,460
	Grand Total	1,456,817,792	1,489,381,373	1,456,251,813	1,497,752,718	41,500,905

Pensions

The City's pension expense has increased modestly over the last several years. The City's annual pension funding requirement was \$129.8 million in FY02, \$134.4 million in FY03, and \$137.0 million in FY03. The City expects the FY05 pension-funding requirement to be \$146.6 million. These numbers do not include pension costs allocated to the budgets of the Suffolk County Sheriff's Department or the Public Health Commission. Meanwhile, the percentage of the City's overall pension liability that has been funded has improved from 52.0% in January 1, 1995 to 62.6% in January 1, 2003. There are two reasons for this. First, the increased percentage set aside for pension funding which has risen from 5% for employees hired in the early 70's and before, to 9% for more recent hires, continues to aid the system's trend toward full funding. Second, the average annual rate of return on assets during this period has exceeded the 8% rate of return assumed in the City's pension funding schedule. It should be noted, however, that the 62.6% of pension liability funded recorded for January 1, 2003 is a major step back from the 75.5% recorded for January 1, 2001. The SBRS, along with most pension systems nationwide, has recorded diminishing or negative annual returns subsequent to the stock market peak in the spring 2000.

The impact of these two items is incorporated into the City's pension funding schedule each time the pension system does a full valuation. State law calls for full valuations at least every three years. The most recent valuation was approved during FY03 and the pension system is therefore required to do another full valuation during FY06. Furthermore, as part of its FY05 funding requirement, the SBRS will begin requiring an amortization payment from the City for the increase in liability that resulted from the 2002 early retirement incentive (ERI) taken by 476 City employees.

A fundamental shift regarding the liability for pension cost-of-living-adjustments was reflected in the valuation of FY98. The Commonwealth no longer funds cost-of-living-adjustments as they had since the enactment of Proposition 2 1/2. The City has opted to accept the responsibility for future cost-of-living-adjustments for its retirees.

Debt Service

The City had expenditures for debt service of \$115.6 million in FY02 and \$121.3 million in FY03. The City has a budget of \$125.9 million for debt service in FY04 and expects to spend \$122.4 million on debt service in FY05. The increase in debt service in recent years reflects the increased amounts that were borrowed in FY99-01 (\$120 million annually). FY04 (\$65 million) and FY05 (\$75 million) reflect an adjustment necessary in the current economic climate. The higher borrowing level was a consequence of increased capital renovations and planned new construction for three new Boston Public Schools, which are partially reimbursed by the Commonwealth. For further detail see the *Capital Planning* and *Financial Management* chapters of this volume.

State Assessments

Accompanying the local aid distributions on the cherry sheet are several charges to the City from the Commonwealth. In FY05, an assessment for the value of Charter School Tuition, previously treated as a direct offset to Chapter 70 education state aid, was added. All but the state assessments for the Massachusetts Bay Transportation Authority (MBTA) and Charter School Tuition are relatively small. In accordance with Proposition 2 1/2, these charges, on a statewide basis, except for Charter School Tuition, cannot increase annually by more than 2.5%. The City's state assessment (inclusive of Charter School Tuition) increased from \$101.1 million in FY03 to \$109.7 million in FY04. The City expects growth in assessments to \$117.1 million in FY05.

Suffolk County Sheriff

In FY03, the City was responsible for funding 5% of the Sheriff's Department Budget with the Commonwealth funding the rest. In FY04, a change in state law resulted in a different calculation for the City's contribution requirement. The new law required that the City increase its funding level by 2.5% over the previous year. The same calculation has been used for FY05 resulting in a funding level that is \$.1 million or 2.5% higher than that required for FY04.

Note: The appropriation for the Suffolk County Sheriff, which is mandated by the State, is included in the Fixed Costs section of the Budget Summary. Prior to FY04, funding for the Sheriff was shown in the Appropriations section as part of a County appropriation. Because funding for the Suffolk County Sheriff is a mandated cost it is more appropriate to categorize it as a fixed cost.

Reserve

The City is required by law to maintain a reserve on its balance sheet of 2.5% of the prior year appropriations, not including the School Department, which has its own separate reserve. The current balance of this reserve is \$21 million. The reserve can be used to provide for extraordinary and unforeseen expenditures and the Mayor may make drafts or transfers against this fund with City Council approval only in the month of June. Since the establishment of this reserve, the City has yet to make any drafts or transfers from the reserve. (see *Financial Management* section of Volume I for detail.)

PERSONNEL CHANGES

The following Personnel Summary table shows a four-year comparison of city funded full-time equivalent (FTE) positions. (This includes both permanent and emergency employees.) The projected numbers used for FY05 are estimates based on the level of funding for personnel contained in the FY05 budgets.

<u>Tregor Reserve Fund</u>				
Fiscal Year	Beginning Year Balance	Funds In	Funds Out	Ending Year Balance
FY98	18.680	0.000	0.000	18.680
FY99	18.680	0.000	0.000	18.680
FY00	18.680	0.000	0.000	18.680
FY01	18.680	1.308	0.000	19.988
FY02	19.988	1.000	0.000	20.988
FY03	20.988	0.151	0.000	21.139
*FY04	21.139	0.000	0.000	21.139
*FY05	21.139	0.000	0.000	21.139

Notes: (\$millions), *projected

Personnel Summary

		1/1/02 FTE	1/1/03 FTE	1/1/04 FTE	1/1/05 Projected	Projected Inc/(Dec)
Office of the Mayor	Arts & Cultural Development	-	-	-	18.0	18.0
	Boston 2 to 6	4.0	-	-	-	-
	Intergovernmental Relations	10.0	7.8	8.8	9.0	0.2
	Law Department	43.0	46.0	46.0	46.0	-
	Mayor's Office	26.5	21.9	20.8	23.4	2.6
	Neighborhood Services	21.0	20.0	19.0	20.0	1.0
	Office of Homeland Security	-	-	-	-	-
	Office of New Bostonians	1.0	1.0	1.0	1.0	-
	Public Information	17.1	14.6	16.5	16.5	-
	Total	122.6	111.3	112.1	133.9	21.8
Chief Operating Officer	Chief Operating Officer	10.0	8.0	8.0	8.0	-
	Consumer Affairs & Licensing	9.0	8.0	7.4	7.7	0.3
	Graphic Arts	40.0	34.0	31.0	31.0	-
	Human Resources	50.2	46.2	43.9	44.9	1.0
	Labor Relations	12.0	11.0	11.4	11.4	-
	Library Department	575.1	474.7	422.6	430.0	7.4
	Management Info Svcs	84.0	106.0	103.0	103.0	-
	Registry Division	22.0	17.0	18.0	19.0	1.0
	Total	802.3	704.9	645.3	655.0	9.7
Chief Financial Officer	Assessing Department	85.0	75.0	88.0	88.0	-
	Auditing Department	62.0	32.0	34.0	34.0	-
	Budget Management	27.9	25.7	22.7	23.7	1.0
	Purchasing Division	20.0	19.0	19.0	19.0	-
	Retirement Board	-	-	-	-	-
	Taxpayer Referral & Assistance	10.0	6.0	-	-	-
	Treasury Department	62.0	57.0	58.0	58.0	-
	Total	266.9	214.7	221.7	222.7	1.0
Public Safety	Fire Department	1,697.5	1,713.5	1,610.5	1,609.0	(1.5)
	Police Department	2,964.0	2,894.9	2,782.4	2,822.0	39.6
	Total	4,661.5	4,608.4	4,392.9	4,431.0	38.1
Education	School Department	8,509.5	8,439.7	7,792.5	7,708.2	(84.3)
	Total	8,509.5	8,439.7	7,792.5	7,708.2	(84.3)
Economic Development	Small/Local Business	8.0	8.0	8.0	8.0	-
	Office of Boston RJP	10.0	9.0	8.0	8.0	-
	Total	18.0	17.0	16.0	16.0	-
Basic City Services	Election	33.3	30.3	19.1	19.1	-
	Parks and Recreation	230.6	205.6	192.6	195.0	2.4
	Property & Construction Mgmt.	294.0	320.4	302.6	302.6	-
	Special Events & Tourism	10.0	9.0	9.0	-	(9.0)
	Total	567.9	565.3	523.3	516.7	(6.6)
Streets, Transp & Sanitation	Central Fleet Maintenance	43.0	42.0	40.0	40.0	-
	Public Works Department	407.6	383.6	368.6	385.0	16.4
	Transportation	437.9	385.9	384.9	369.9	(15.0)
	Total	888.5	811.5	793.5	794.9	1.4
Environmental Services	Environment	17.0	16.0	15.0	16.0	1.0
	Inspectional Services	231.0	239.0	227.0	227.0	-
	Total	248.0	255.0	242.0	243.0	1.0
Human Services	Boston Center for Youth & Families	-	375.1	335.4	345.0	9.6
	Civil Rights	8.0	8.0	8.0	8.0	-
	Community Centers	375.8	-	-	-	-
	Community Partnerships	11.0	-	-	-	-
	Cultural Affairs	7.0	5.0	9.0	-	(9.0)
	Elderly Commission	64.0	57.3	55.2	57.2	2.0
	Emergency Shelter	6.0	5.0	6.0	5.0	(1.0)
	Veterans Services	18.8	15.8	15.2	14.2	(1.0)
	Women's Commission	2.6	2.6	2.0	2.0	-
	Total	497.2	472.8	433.8	435.4	1.6
Neighborhood Development	Neighborhood Development	107.1	37.8	38.8	39.8	1.0
	Rental Housing Resource Center	14.1	14.1	11.1	11.1	-
	Total	121.2	51.9	49.9	50.9	1.0
Public Health	Public Health Commission	768.1	745.0	728.0	740.0	12.0
	Total	768.1	745.0	728.0	740.0	12.0
Non-Mayoral	City Clerk	15.0	13.4	12.4	12.4	-
	City Council	69.9	67.6	71.1	71.1	-
	Finance Commission	4.0	2.0	3.0	3.0	-
	Licensing Board	11.0	10.6	10.6	10.6	-
	Total	99.9	93.6	97.1	97.1	-
Grand Total		17,571.6	17,091.1	16,048.1	16,044.7	(3.4)

FY03- FY04 FTE Changes - The total net decrease of 1,043 FTEs from January 1, 2003 to January 1, 2004 was the result of several steps taken by the Administration to address reductions in State Aid that occurred in the FY03 and FY04 budgets. In addition to continuing the Position Review Committee, which reviews all postings for vacant positions, the City offered a Voluntary Retirement Incentive Program at the end of FY03. There were 490 participants in this program.

The most drastic change can be seen in the School Department where FTEs as of January 1, 2004 dropped by approximately 647 FTEs – over 60% of the total decrease. The second largest drop was in Public Safety where the decrease from January 1, 2003 to January 1, 2004 was 216. A large part of the reductions in these two areas was related to the Voluntary Retirement Incentive Program. Of the 490 total participants, 326 were BPS employees and Police and Fire had 92 and 46 participants respectively.

The Library also had a considerable decrease in FTEs from January 1, 2003 to January 1, 2004. The decrease of 52 was a combination of voluntary retirements, budget reductions in FY04 and the timing of filling funded vacant positions.

Decreases seen in all other departments were mainly the result of not filling positions due to budget reductions. The FY04 budget actually eliminated many vacant positions completely leaving fewer actual positions to be filled.

FY04-FY05 Projected FTE Changes – The City expects net FTE levels to remain relatively stable from January 1, 2004 to January 1, 2005.

The number of positions in the Mayor's Office Cabinet will show an increase mainly because of the newly created Office of Arts and Cultural Development. Employees formerly shown in Special Events and Cultural Affairs will be transferred from the Basic Services Cabinet and the Human Services Cabinet to the new department.

The majority of the increase in the Chief Operating Officer's cabinet is the result of the Library Department filling vacant positions after going through a process of reorganizing and consolidating some of its services.

The increase of one in the FTE count for the Finance Cabinet is the result of one employee coming back from a leave of absence.

The number of Public Safety employees on the payroll as of January 1 of any year fluctuates with the timing of classes and the timing of retirements. After considering the current number of filled positions, expected retirements, and the hiring of new recruits, the net increase projected for Public Safety FTEs is 38.1. Both Police and Fire will be hiring new recruits in the fall of 2004. The Police Department also expects to fill civilian vacancies for Criminalists and Dispatchers allowing the redeployment of uniformed personnel. The hiring of Police Cadets is also funded in the FY04 budget.

Education is projected to decrease by about 84 FTEs from January 2004 to January 2005. Only a small portion of that number will be teaching positions. Teaching positions that will be eliminated are the result of declining enrollment.

The FTE count in the Economic Development Cabinet is projected to remain level in FY05.

The projected net decrease of 6.6 in the Basic Services Cabinet results from the transfer of Special Events personnel to the newly created Arts & Cultural Development department. Parks is expected to increase by approximately 2.5 between January 1, 2004 and January 1, 2005 based on current staffing.

The Streets, Transportation & Sanitation Cabinet is projected to have a net increase of approximately 1.5 FTEs. However within the cabinet a switch of employees will take place as the Street Signal unit in Transportation is transferred to the Street Lights and Signals Program of the Public Works Department. This consolidation should result in the provision of a more efficient service.

The Environment Cabinet is projected to have an increase of 1 FTE as one employee returns from a leave of absence in the Environment Department. Staffing in the Inspectional Services Department is expected to remain level.

The projected net decrease of 1.6 FTEs in the Human Services Cabinet results from the transfer of personnel to the Arts & Cultural Development

Department. Setting aside the transfer, the cabinet will actually see an increase of 10.6. The increase of 9.6 in Boston Centers for Youth & Families (BCYF) projected for FY05 is the result of filling vacancies.

Staffing at the Public Health Commission as of January 1, 2005 is expected to increase by 12.

The FTE count in the Housing & Neighborhood Development cabinet is expected to remain virtually level. The Department of Neighborhood Development continues to seek ways to maximize its use of external funding.

The FTE count for the Non-Mayoral group of departments is projected to remain stable.

EXTERNAL FUNDS

Supplementing the services that are provided by the City's \$1.9 billion Operating Budget is approximately \$335.4 million in external funds. These funds consist mostly of federal, state and private funding earmarked for specific purposes. Education, housing, economic development, public safety and public health are some of the largest areas for which these funds are targeted.

Nineteen departments and agencies expect to utilize federal, state or other forms of external funding in FY05. Since there are hundreds of grants and many of them are small, the focus here is on the largest grants. Over 90% of the City's external funds are found in six of those nineteen departments. These six departments are the School Department, Neighborhood Development, Office of Homeland Security, Public Health Commission, Library Department, and Police Department. Other departments that also have significant grant funding are the Elderly Commission and the Parks Department. Descriptions and amounts for grants by department can be found in Volumes II and III.

Federal and State Grants

Some of the larger federal grants received by the City have been a vital source of funding. For example, in FY05, the School Department is expected to receive \$43.6 million from Title I, a grant that the City has been receiving for a number of years. This funding has supplemented education programs in schools with significant

populations of low-income students. The City has also received for many years Community Development Block Grant (CDBG) funding for a variety of neighborhood development activities. Other sources of federal funding received by the City address diverse needs and/or creative approaches such as homeland security, community policing, housing support for the homeless, and investment in the City's Empowerment Zone.

The state's largest contribution for local services is in the area of K-12 education. However, most of this funding is Chapter 70 educational reform aid., in which the major requirement for receipt of the funds relates to a minimum general fund school budget. This funding is not included in the table below as it is direct general fund revenue. Further discussion on education aid can be found in the Revenue chapter. State grant funding is also significant in the area of library services.

A description of the largest federal and state supported programs in the six departments managing the bulk of the City's external fund resources is given below.

Neighborhood Development

The Community Development Block Grant (CDBG) is a sizeable annual entitlement grant from the U.S. Department of Housing and Urban Development (HUD) to the City of Boston designed to fund a variety of neighborhood development activities. The City (the Department of Neighborhood Development and the Fair Housing Commission) expended approximately \$23.8 million in CDBG funding in FY03, and estimates spending \$26.2 million in FY04 and \$29.4 million in FY05. The FY05 amount becomes available in July 2004. At least 70% of CDBG funds must be used to benefit low and moderate-income households. CDBG funds are used to produce and preserve affordable housing, revitalize neighborhood commercial districts, assist the renovation of non-profit facilities, improve vacant lots, promote and monitor fair housing activities, and assist non-profit organizations in the operation of emergency shelters, health care, youth and adult literacy programs. CDBG funds cannot be used for general government services and cannot replace funding cuts from existing public service activities. CDBG funding is also being utilized as a security for Section 108 loans.

Section 108 Loan Project/Economic Development Initiative - Section 108 funds are available to eligible cities from HUD on an application basis. The City, through a pledge of its current and future CDBG grant awards, secures Section 108 funds. These funds can only be used for economic development and housing development projects. The Economic Development Initiative Program is a special HUD program that makes available grants to cities to spur economic opportunity. This initiative also promotes community development through a long-term strategy: a) establishing community-based partnerships; b) training residents for new job opportunities; c) developing a plan for responding to community needs by integrating economic, physical, human, and other strategies. The City received two multi year grants of \$22 million each for these two programs for use within the Empowerment Zone. (Another \$3 million was reserved for social service activities in the Empowerment Zone.) The funds are used to assist new or existing smaller scale neighborhood commercial enterprises and larger scale commercial and/or industrial development projects. These funds must be used to lower the cost or lower the risk to the City on Section 108 loans made to eligible economic development projects. Spend down of these funds has been spread over the past several years.

The City received authority to use \$40 million in new Section 108 Loan Guarantee funds in FY04 for the purpose of establishing a Hotel Development Loan Fund. Of these funds, approximately \$20 million will be expended in FY04 with the remainder being expended in FY05.

Emergency Shelter Grant/HOPWA/Shelter Plus Care/Supportive Housing - HUD administers these four federally funded grants. FY04 expenditures are projected to be \$19.5 million while another \$18.8 million is expected to be utilized in FY05. The Emergency Shelter and HOPWA (Housing Opportunities for Persons With AIDS) grants are entitlement grants that become available in July of each year. The Emergency Shelter grant supports the development and operations of emergency shelters for the homeless. The HOPWA program provides housing, rental assistance and support services for persons with AIDS. The Shelter Plus

Care grant program provides rental assistance for homeless people with disabilities, primarily those with serious mental illness or chronic problems with alcohol and/or drugs. Other federal, state or local sources provide the support services that must match the value of the rental assistance. The Supportive Housing Program provides service, operating and/or capital funds for a broad range of housing and social service projects. The program requires that applicants match the amount of supportive housing acquisition and development funds requested with an equal amount of funding from other sources. Shelter Plus Care and Supportive Housing are both competitive grants; the FY05 awards will become available in the fall.

HOME Investment Partnership - The HOME Partnership Program is an entitlement grant from HUD to support the development of affordable housing. FY05 funds will become available in July 2004. The City expended \$8.1 million in this program in FY03 and estimates spending \$8.5 million in FY04. Projected spending for FY05 is \$8.7 million. Eligible activities include new construction or rehabilitation of housing, tenant-based rental assistance for up to two years, and assistance to first-time homebuyers. All HOME funds must be used to benefit low and moderate-income households. Fifteen percent of HOME funds are set aside for projects sponsored by Community Housing Development Organizations and five percent is set aside for operating costs for Community Housing Development Organizations.

The American Dream Downpayment Initiative (ADDI) is a new federal grant, which was signed into law on December 16, 2003. This will be an annual grant awarded to the City of Boston from the U.S. Department of Housing and Urban Development (HUD). It will be administered as part of the HOME Investment Partnership Program (HOME). The purpose of this grant is to assist low-income families in becoming first-time homebuyers. ADDI funds may only be used for downpayment assistance toward the purchase of single family housing by low-income families, who are first time homebuyers. Rehabilitation that is completed in conjunction with a home purchase assisted by ADDI is also an eligible activity under the ADDI statute. ADDI funding will be \$730,000 in FY05.

School Department

The School Department's FY05 General Fund Budget of \$674.8 million is supplemented with approximately \$124.2 million in external funds. There are four main categories of funding: formula grants, competitive grants, reimbursements and other (private resources for the most part). Title I and the School Lunch Reimbursement program are the two largest external funding items and make up the bulk of federal support.

Community Partnerships for Children - The Community Partnerships Program funding is the largest competitive grant received by the School Department. This is a State program intended to create an early education system in the City of Boston with Head Start Centers, Private Day Care Centers, and Family Based Day Care. The amount budgeted by the School Department for this program is \$9.8 million in FY04. In FY05, funding is also estimated at \$9.8 million.

Title II Teacher Quality - The School Department expects to receive \$7.4 million in FY05 from this federal grant program to improve the quality of staff in the classrooms.

Class Size Reduction - The City expended \$3.79 million in FY03 from a class size reduction grant from the state. This funding was eliminated in FY04.

Title I - This federal program supplements education in schools with significant populations of low-income students. This key source of funding for the Boston Public Schools makes up a large portion of the federal formula grant funding received. The School Department estimates spending levels for this program in FY04 and FY05 of \$44.6 million and \$43.6 million, respectively.

School Lunch - The School Lunch program, administered by the Department of Agriculture, reimburses local school districts on a per meal basis for the costs of breakfast and lunch for low-income students. The School Department has budgeted this federally funded reimbursement program at \$21 million for both FY04 and FY05.

SPED 94-142 Entitlement - This is a federal formula grant in support of special education programs. The amount budgeted by the School Department in this program area for FY04 and FY05 is \$16.7 million and \$18.5 million, respectively.

Public Health Commission

Boston Healthy Start - The purpose of this project is to develop a comprehensive needs assessment and carry out a service plan to address those factors most affecting infant mortality in the City of Boston. Three project areas consist of those census tracts found to have both the highest numbers of infant deaths and the highest infant mortality rates in the City. Overall, the City has experienced significant improvement in this health area. The Public Health Commission projects to receive \$1.75 million for this program in FY05.

Ryan White Care Act - This funding is intended to help communities increase the availability of primary health care and support services, increase access for under-served populations and improve the quality of life of those affected by the HIV/AIDS epidemic. Contracts support approximately 71 community agencies and 146 programs in the 10 county region of Massachusetts and southern New Hampshire. The estimated level of spending for this federally funded program is \$14.28 million for FY05.

Boston STEPS - This program is a new, five-year initiative to reduce the burden of obesity/overweight, diabetes and asthma in seven Boston neighborhoods that are at high risk for these chronic health conditions. Funded through the federal Centers for Disease Control and Prevention' Steps to a Healthier US initiative, Boston STEPS has received \$1.2 million for its project year and expects to receive up to \$1.8 million annually in subsequent years.

Boston STEPS is focusing on community-based initiatives that promote physical activity, healthy eating, and not using tobacco, as well as improving disease management supports for people with diabetes and asthma

Shelter: Long Island- Federal funding. This project provides homeless services in the form of shelter, food, clothing, health care, and social services for up to 500 homeless adult men and women. The Shelter also provides a room for families in crisis. Guests arrive at the shelter via shuttle bus from the Boston Medical Center campus. Overall, projected external funding for homeless services in the Public Health Commission Budget for FY05 totals \$7.6 million.

Public Health Preparedness -The Boston Public Health Commission received a grant from the Massachusetts Department of Public Health (MDPH) for bioterrorism and emergency preparedness response activities. The funding from MDPH was part of the Commonwealth's funding from the Centers for Disease Control Cooperative Agreement for bioterrorism preparedness. The funding for Boston was allocated for work in four Focus Areas that are described in the Cooperative Agreement. The four areas are:

1. Focus Area A: Preparedness Planning and Readiness Assessment
2. Focus Area B: Surveillance and Epidemiology
3. Focus Area F: Risk Communication
4. Focus Area G: Education and Training

External funds spending on public health preparedness is expected to be \$1.4 million in FY05.

Office of Homeland Security

One of the objectives of the new Mayor's Office of Homeland Security is to allocate and manage state and federal homeland security funds obtained by the City. The Office itself will be funded with an Urban Area Security Initiative (UASI) grant. This federal grant serves to address the unique equipment, planning, training and operational needs for first responders in the Boston Urban Area. Spending from UASI and UASI II is expected to be \$5.4 million in FY04 and \$15.2 million in FY05. The office will also be responsible for coordinating spending from a \$24.7 million federal grant approved to cover security costs for the 2004 Democratic National Convention. The City expects to spend approximately \$5 million in FY04 and \$19.7 million in FY05 from this funding source.

Police Department

The Police Department's grant funding on both the federal and state level has focused mostly upon adding police officers and community policing.

Same Cop, Same Neighborhood - This neighborhood policing program is based on the

belief that police officers and private citizens working together can help address community problems related to crime. The program is supported with a grant awarded by the Massachusetts Executive Office of Public Safety. The total cost of the program supported by this grant was \$3.0 million in FY03; estimated expenditures for FY04 are \$5.1 million. For FY05 the Department expects to have \$3.9 million available for this program.

BJA Block Grants - This federal program is awarded by the Bureau of Justice for the purpose of reducing crime and improving public safety through the purchase of police equipment, the use of police overtime, and to support community partnerships for community policing. Spending for this program was \$2.4 million in FY03, and is estimated to be \$2.4 million in FY04 and \$1.6 million in FY05.

Judicial Oversight Demonstration Initiative - These funds, made available through the Violence Against Women Act and awarded by the U.S. Department of Justice, are being used to increase offender accountability and improve victim safety through the development and implementation of the Dorchester Domestic Violence Court. Spending from this grant is expected to be about \$1.5 million in FY04 and \$1.4 million in FY05.

Homeland Security Initiative – In FY04 the City received over \$3 million to fund equipment and training for Police, Fire and EMS. The majority of this funding will be spent in FY04.

Interoperable Communications Technology Grant – In FY04 the City received a grant of over \$3 million to aid in the development of a region- wide interoperable communications system for critical incident command and management. This initiative involves police, fire, emergency medical services and mutual aid partner organizations. It is estimated that \$2.3 million will be spent in FY04 and \$.92 million will be spent in FY05.

Overall, the level of support from the federal government for local crime control has been consistent over the past few years. Total projected spending for all grants in FY05 is estimated at \$9.4 million; not all grants listed have been awarded. The nature of the police grant programs has tended to be short-term funding that runs its

course and serves its purpose and is then supplanted by new programs.

Library Department

Total spending from state funding for the Library was reduced slightly from \$7.97 million in FY03 to an estimated \$7.87 million for FY04. In FY05 the Library again expects that approximately \$8 million will be available from the state. There are four state programs that relate to libraries; they

operates under a cost reimbursement agreement granted by the Commonwealth of Massachusetts Board of Library Commissioners. Funding for this program is also expected to be level in FY05.

Statewide Reference & Referral – The Boston Public Library, under contract with the Commonwealth of Massachusetts Board of Library Commissioners, provided supplemental reference and referral, journal document delivery and project management services to libraries

External Funds			
	FY03 Expenditure	FY04 Estimated	FY05 Estimated
Boston Public Schools	129,738,168	130,364,940	124,228,246
Neighborhood Development	67,029,205	77,840,399	88,975,456
Office of Homeland Security	0	10,440,978	44,417,414
Public Health Commission	41,703,569	38,754,369	39,168,046
Library Department	12,445,068	10,691,149	10,374,629
Police Department	9,661,889	19,004,360	9,363,872
Other	19,392,165	22,227,564	18,854,676
	279,970,064	309,323,759	335,382,339

are described below.

Library of Last Recourse - The Library of Last Recourse provides reference and research services for individual residents of the Commonwealth at the Boston Public Library through developing, maintaining, and preserving comprehensive collections of a research and archival nature to supplement library resources available throughout Massachusetts. The Library maintains the personal resources, expertise, and bibliographic skills needed to develop and provide access to reference and research collections. Funding for this program is expected to be level in FY05.

Boston Regional Library - The Boston Regional Library System Program (BRLS is a cooperative organization of 105 public, academic, school and special (government, medical, non-profit, and corporate) libraries in the cities of Boston, Malden and Chelsea. Headquartered at the Boston Public Library, BRLS supports enhanced reference and information services, interlibrary loan and journal document delivery, continuing education and staff development, consulting on library operations and a variety of cooperative programs. The BRLS

throughout Massachusetts. Funding for this program was cut drastically in FY03 and is expected to be eliminated in FY04.

State Aid to Libraries - This funding is provided by the Commonwealth of Massachusetts Board of Library Commissioners to the Trustees of the Public Library of the City of Boston annually. The Library is required to meet certain minimum standards of free public library service established by the Board to be eligible to receive the grant. Funding for this program was drastically reduced in FY03 and eliminated in FY04.

FY05 ALL FUNDS BUDGET

The following table consolidates the projected FY05 expenditures from the General Fund, Special Revenue Funds (external grants for the most part) and the Capital Fund by department. More detail on the expenditures made from each of these funds is shown in Volumes II and III of the City of Boston's FY05 budget document.

All Funds Budgets - FY05

Cabinet	Department	Operating Budget	External Funds Budget	Capital Budget	Total All Funds Budget
Mayor's Office	Arts & Cultural Development	1,544,334	110,330	0	1,654,664
	Intergovernmental Relations	910,602	0	0	910,602
	Law Department	4,545,200	0	0	4,545,200
	Mayor's Office	1,486,155	317,070	0	1,803,225
	Neighborhood Services	1,018,814	0	0	1,018,814
	Office of Homeland Security	0	44,417,414	0	44,417,414
	Office of New Bostonians	77,978	225,763	0	303,741
	Public Information	875,273	0	0	875,273
	Total	10,458,356	45,070,577	0	55,528,933
Chief Operating Officer	Chief Operating Officer	866,924	0	0	866,924
	Consumer Affairs & Licensing	366,594	52,000	0	418,594
	Graphic Arts Department	1,375,630	0	0	1,375,630
	Health Insurance	139,105,481	0	0	139,105,481
	Human Resources	2,547,196	0	0	2,547,196
	Labor Relations	897,989	0	0	897,989
	Library Department	24,481,341	10,374,629	13,059,521	47,915,491
	Management & Information Svs	12,999,690	0	1,434,000	14,433,690
	Registry Division	753,728	0	0	753,728
	Unemployment Compensation	50,000	0	0	50,000
	Workers' Compensation Fund	2,200,000	0	0	2,200,000
	Total	185,644,573	10,426,629	14,493,521	210,564,723
Chief Financial Officer	Assessing Department	5,113,616	0	0	5,113,616
	Auditing Department	1,846,523	0	0	1,846,523
	Budget Management	2,098,718	0	0	2,098,718
	Execution of Courts	3,500,000	0	0	3,500,000
	Medicare Payments	4,450,000	0	0	4,450,000
	Pensions & Annuities	4,900,000	0	0	4,900,000
	Purchasing Division	1,132,472	0	0	1,132,472
	Treasury Department	3,366,298	0	0	3,366,298
	Total	26,407,627	0	0	26,407,627
Public Safety	Fire Department	132,198,117	90,000	3,533,115	135,821,232
	Police Department	209,576,261	9,363,872	1,559,000	220,499,133
	Total	341,774,378	9,453,872	5,092,115	356,320,365
Education	Boston Public Schools	674,800,000	124,228,246	29,929,086	828,957,332
	Total	674,800,000	124,228,246	29,929,086	828,957,332
Economic Development	Boston Redevelopment Authority	0	0	375,000	375,000
	Boston Residents Job Policy	429,119	0	0	429,119
	Small/Local Business	542,449	0	0	542,449
	Total	971,568	0	375,000	1,346,568
Basic Services	Election Department	2,388,740	0	0	2,388,740
	Parks & Recreation Department	12,709,028	4,780,000	13,383,816	30,872,844
	Property & Construction Mgmt.	19,157,595	152,928	5,624,278	24,934,801
	Total	34,255,363	4,932,928	19,008,094	58,196,385
Streets, Transp & Sanitation	Central Fleet Maintenance	2,002,870	0	0	2,002,870
	Public Works Department	80,018,339	0	21,362,685	101,381,024
	Snow Removal	7,700,538	0	0	7,700,538
	Transportation Department	25,511,179	1,518,872	1,385,068	28,415,119
	Total	115,232,926	1,518,872	22,747,753	139,499,551
Environmental Services	Environment Department	955,605	655,000	687,481	2,298,086
	Inspectional Services Dept	13,154,261	46,436	0	13,200,697
	Total	14,109,866	701,436	687,481	15,498,783
Human Services	Boston Centers for Youth & Families	17,539,201	3,392,090	3,757,886	24,689,177
	Civil Rights	277,190	856,340	0	1,133,530
	Elderly Commission	2,370,529	6,657,847	0	9,028,376
	Emergency Shelter Commission	524,098	0	0	524,098
	Veterans Services Department	3,198,983	0	0	3,198,983
	Women's Commission	140,181	0	0	140,181
	Youth Fund	3,794,833	0	0	3,794,833
	Total	27,845,015	10,906,277	3,757,886	42,509,178
Neighborhood Development	Neighborhood Development	2,269,614	88,975,456	2,195,000	93,440,070
	Leading the Way	0	0	0	0
	Rental Housing Resource Center	647,015	0	0	647,015
	Total	2,916,629	88,975,456	2,195,000	94,087,085
Public Health	Public Health Commission	57,800,000	39,168,046	6,517,041	103,485,087
	Total	57,800,000	39,168,046	6,517,041	103,485,087
Non-Mayoral Departments	City Clerk	833,596	0	0	833,596
	City Council	3,981,624	0	0	3,981,624
	Finance Commission	162,868	0	0	162,868
	Licensing Board	558,329	0	0	558,329
	Total	5,536,417	0	0	5,536,417
Grand Total		1,497,752,718	335,382,339	104,802,977	1,937,938,034